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Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 EA-11 ISO-00 SP-03 AID-20 NSC-07 RSC-01

CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-03 PA-04 PRS-01 USIA-15 INT-08 SEC-03

EUR-25 FEAE-00 FPC-01 AGR-20 DRC-01 /228 W
---------- 105875
R 241545Z JUL 74
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 4654
INFO AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO
AMEMBASSY TOKYO

C O N F I D E N T I A L SECTION 1 OF 2 BRASILIA 5493

FOLLOWING REPORT PREPARED BY CONGEN RIO

E. O. 11652: GDS
TAGS: EMIN, EFIN, EIND, US, BR
SUBJECT: BAUXITE/ALUMINUM TRENDS

REF: STATE 145450

BEGIN CONFIDENTIAL
1. SUMMARY: BRAZIL PRODUCED 649,000 METRIC TONS OF BAUXITE AND 111,000 MT OF PRIMARY ALUMINUM IN 1973, ALL FOR INTERNAL USE. RAPID GROWTH IN PRODUCTION DURING NEXT TEN YEARS WILL MAKE BRAZIL A MAJOR PRODUCER OF BOTH COMMODITIES. A BAUXITE BOOM IS BEGINNING IN AMAZON REGION, WHERE TOTAL RESERVES ARE ESTIMATED TO EXCEED TWO BILLION MT. FIRST NEW AMAZON PROJECT, MINERACAO RIO DO NORTE, IS SCHEDULED TO PRODUCE 3.4 MILLION MT OF BAUXITE FOR EXPORT IN 1977, OF WHICH ABOUT TEN PERCENT CAN BE EXPECTED TO BE SHIPPED TO US. GOB CONTINUES TO WELCOME FOREIGN INVESTMENT IN MINERALS SECTOR. IN LIGHT CONFIDENTIAL

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OF ACTIONS TAKEN BY OTHER BAUXITE PRODUCERS, BRAZIL IS

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INCREASINGLY ATTRACTIVE TO LARGE INTERNATIONAL MINING COMPANIES WITH WHOM WE TALK. WE HAVE NO REASON TO BELIEVE GOB PLANS FUTURE ACTION SIMILAR TO THAT OF JAMAICA. END SUMMARY. END CONFIDENTIAL.

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2. CURRENT PRODUCTION: IN 1973 BRAZIL PRODUCED 649,000 MT OF BAUXITE, 231,000 MT OF ALUMINA, 111,000 MT OF PRIMARY ALUMINUM, AND 16,000 MT OF SECONDARY METAL, ALL FOR INTERNAL USE. PRODUCTION OF PRIMARY METAL WAS ABOUT EQUALLY DIVIDED AMONG ALCOA SUBSIDIARY (ALCOMINAS), ALCAN SUBSIDIARY (ALCAN ALUMINIO), AND BRAZILIAN-OWNED COMPANHIA BRASILEIRA DE ALUMINIO (CBA). ALCAN PRODUCED 304,000 MT OF BAUXITE, OTHER TWO COMPANIES A LITTLE OVER 170,000 MT EACH. ALL PRODUCTION COMES FROM MINES IN STATE OF MINAS GERAIS. LAST YEAR BRAZIL IMPORTED AN ESTIMATED 70,000 MT OF INGOTS AND SEMI-FINISHED ALUMINUM PRODUCTS.

3. PLANNED EXPANSION BY EXISTING PRODUCERS: ALCAN IS INCREASING SMELTER CAPACITY FROM 44,000 MT TO 56,000 MY BY END OF 1975. ALCAN ALSO IS INVESTING US $30 MILLION IN A NEW SHEET METAL PLANT WHICH WILL DOUBLE ITS PRESENT 25,000 MT PER YEAR SHEET PRODUCTION. ALCOMINAS IS ENGAGED IN EXPANSION COSTING $70 MILLION, WHICH WILL DOUBLE ITS CURRENT ANNUAL METAL PRODUCTION OF 30,000 MT. CBA HAS PLANS TO INCREASE INGO PRODUCTION CAPACITY FROM 40,000 MT TO 70,000 MT A YEAR. WITH THESE EXPANSIONS, PRIMARY METAL PRODUCTION COULD REACH 180,000 MY BY 1976.

4. A BAUXITE BOOM BEGINNING IN AMAZON REGION COULD MAKE BRAZIL A MAJOR WORLD PRODUCER WITHIN TEN YEARS. BUSINESSMEN HAVE PRIVATELY PREDICTED THAT DURING COMING DECADE A TOTAL OF $2 - $3 BILLION WILL BE INVESTED IN BAUXITE-ALUMINA-ALUMINUM COMPLEXES IN AMAZON, WHERE UPWARDS OF TWO BILLION MT OF TOTAL HIGH-GRADE RESERVES ARE LOCATED. (RESERVES IN MINAS GERAIS, COUNTRY'S ONLY OTHER SIGNIFICANT BAUXITE AREA, ARE ESTIMATED AT 70 MILLION MT.)

5. ESTIMATED FUTURE PRODUCTION: MINISTRY OF INDUSTRY AND COMMERCE SPECULATES THAT BY 1980 BRAZIL WILL BE PRODUCING
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UP TO FIVE MILLION TONS OF BAUXITE, TWO MILLION MT OF ALUMINA AND 700,000 MT OF PRIMARY ALUMINUM. SPECIFIC PROJECTS TO ACHIEVE THESE GOALS ARE NOT CITED. ALCAN PROJECTS THAT BY 1985 DOMESTIC ALUMINUM CONSUMPTION MAY REACH 800,000 TO 1,000,000 MT, OF WHICH 400,000 TO 600,000 MT WOULD BE PRODUCED FROM AMAZON BAUXITE. METAL EXPORTS AT THAT POINT COULD REACH 700,000 MT.

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6. ABOUT A DOZEN BAUXITE PROJECTS ARE IN EXPLORATION STAGE IN AMAZON. MINERACAO RIO DO NORTE S.A. (FORMERLY VAKEBIRTE) WILL BE FIRST TO COME ON STREAM, WITH PRODUCTION OF 3.4 MILLION MT OF BAUXITE SCHEDULED FOR 1977, ALL OF WHICH IS TO BE EXPORTED. TWENTY-YEAR SALES CONTRACTS REPORTEDLY HAVE BEEN SIGNED, DISTRIBUTING BAUXITE PROPORTIONALLY AMONG FOREIGN SHAREHOLDERS. EQUITY PARTICIPATION IS 51 PERCENT BRAZILIAN AND 49 PERCENT FOREIGN. ON BRAZILIAN SIDE ARE GOVERNMENT-OWNED CVRD, COMPANHIA VALE DO RIO DOCE, (41 PERCENT OF TOTAL) AND PRIVATELY-OWNED CBA (10 PERCENT). FOREIGN PARTICIPATION IS COMPRISED OF ALCAN (19 PERCENT OF TOTAL) AND REYNOLDS, SHELL INTERNATIONAL, NORWAY'S NORSKY HYDRO, NORWAY'S ARDEL OG SUNNDEL VERK, SPAIN'S NATIONAL INSTITUTE OF INDUSTRY, AND BRITAIN'S RIO TINTO ZINC (RTZ), EACH WITH 5 PERCENT.

7. FINAL AGREEMENTS ON RIO DO NORTE PROJECT WERE SIGNED A MONTH AGO. TOTAL INVESTMENT IS PROJECTED AT $170 MILLION. EXIMBANK HAS BEEN APPROACHED ON $21 MILLION EQUIPMENT FINANCING PACKAGE. ALTHOUGH IMMEDIATE OBJECT IS BAUXITE ONLY, ALUMINA AND ALUMINUM PRODUCTION IS EXPECTED TO FOLLOW LATER. (THERE ALSO IS TALK OF EVENTUALLY EXPANDING OUTPUT TO 6 MILLION MT.) MINE WILL BE LOCATED IN STATE OF PARA, 111 KILOMETERS FROM JUNCTION OF AMAZON AND TROMBETAS RIVERS. A 30 KM RAILWAY WILL CARRY ORE TO A PORT ON TROMBETAS, WHICH WILL BE ABLE TO ACCOMMODATE UP TO 50,000 DWT SHIPS.

8. OTHER IMPORTANT BAUXITE EXPLORATIONS ARE IN PARAGOMINAS AREA OF PARA, WHERE ALCAN, ALCOA, SHELL ETHYL, CVRD, RTZ, REYNOLDS, PECHINEY, NORANDA, SWISS ALUMINA AND OTHER COMPANIES HAVE ESTABLISHED CLAIMS. CVRD PRESIDENT FERNANDO REIS WAS QUOTED IN PRESS AS STATING THAT COMPANY
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HAS FOUND A 200 MILLION MT DEPOSIT OR 50 PERCENT-PLUS ALUMINA AND THAT FEASIBILITY OF A 620,000 MT ALUMINUM METAL PLANT NEAR TUCURUI WAS BEING STUDIED (SEE PARA 11).

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SIL-01 L-03 H-03 PA-04 PRS-01 USIA-15 INT-08 SEC-03

EUR-25 FEAE-00 FPC-01 AGR-20 DRC-01 /228 W
---------- 106658
R 241545Z JUL 74
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 4655
INFO AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO
AMEMBASSY TOKYO

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9. NEW HYDRO PROJECT FOR ALUMINUM REDUCTION: IN APRIL OF THIS YEAR MINISTER OF MINES AND ENERGY UEKI ANNOUNCED UNDERTAKING OF DETAILED FEASIBILITY STUDY FOR NEW HYDRO-ELECTRIC PROJECT ON TOCANTINS RIVER WHICH WOULD SUPPLY ELECTRICITY FOR ALUMINUM REDUCTION. PROPOSED SITE IS TUCURUI, STATE OF PARA, 350 MILES SOUTH OF BELEM. PROJECT COULD BE OPERATIONAL IN SEVEN YEARS, DEPENDING ON DETERMINATION OF NEEDS OF ALUMINUM INDUSTRY.

10. ACCORDING LOCAL PRESS, IN JUNE MINISTER UEKI STATED TO ASSEMBLED REPS OF COMPANIES COMPRISING MINERACAO RIO DO NORTE THAT GOB WOULD BE VERY LIBERAL REGARDING IMPORT AND EXPORT OF RAW MATERIALS. HE REPORTEDLY ASSERTED "THE GOVERNMENT DOES NOT INTEND TO RUN THE ALUMINUM SECTOR" BUT INSTEAD IS READY TO SUPPORT ALL PROJECTS PRESENTED BY THE PRIVATE SECTOR. HE STATED FURTHER THAT A PROJECT FOR ALUMINUM IN AMAZON AND TWOOTHERS IN NORTHEAST ARE BEING STUDIED.

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11. JAPANESE INTEREST: SEVERAL JAPANESE GROUPS ARE KNOWN TO BE INTERESTED IN PROJECTS IN PARA. PRESIDENT OF INDUSTRIAL BANK OF JAPAN WAS QUOTED BY PRESS LAST MONTH AS SAYING HIS BANK WAS INTERESTED IN LEADING A FOREIGN GROUP THAT COULD INVEST $2 BILLION TO BUILD AN INTEGRATED BAUXITE/ALUMINUM COMPLEX IN AMAZON. IN MAY

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JAPANESE VICE-MINISTER OF ECONOMY HIDEYUKI AIZAWA, VISITING
BRASILIA, EXPRESSED DESIRE OF JAPANESE COMPANIES TO
PARTICIPATE IN BAUXITE/ALUMINUM IN AMAZON DEVELOPMENT.
HE SAID A JAPANESE MISSION WOULD VISIT BRAZIL TO DISCUSS
SUBJECT FURTHER. THREE WEEKS AGO LEADING BRITISH TRADE
JOURNAL (METAL BULLETIN) REPORTED THAT "BASIC AGREEMENT"
HAS BEEN REACHED BETWEEN JAPANESE CONSORTIUM AND CVRD FOR
INSTALLATION OF A 1.2 BILLION ALUMINA PLANT AND REFINERY
TO BE BUILT NEAR BELEM, WITH PRODUCTION TO BEGIN IN 1979.
ALUMINA PLANT WOULD HAVE ANNUAL CAPACITY OF 1.2 MILLION MT
AND REFINERY 600,000 MT OF PRIMARY ALUMINUM. (CONSORTIUM
REPORTEDLY CONSISTS OF MITSUI ALUMINUM, NLM, SUMIOMO
CHEMICAL, SHOW DENKO KAISHO AND MITSUBISHI CHEMICAL INDUSTRIES.)
END UNCLASSIFIED

BEGIN CONFICENTIAL
12. EMBASSY AND CONGEN RIO ASSESSMENT: GOB HAS MADE NO
OFFICIAL STATEMENTS CONCERNING ACTION BY JAMAICAN GOVERNMENT,
NOR HAVE WE PICKED UP MUCH PRIVATE COMMENT. EVEN THE LOCAL
PRESS HAS MADE LITTLE EDITORIAL MENTION OF IT. (ONLY
EDITORIAL WE HAVE SEEN, OBSERVES THAT JAMAICAN ACTION COULD
HELP BRAZIL'S BAUXITE EXPORT POSITION.) AT MOMENT GOB SEEMS
PREOCCUPIED WITH LAUNCHING ITS BAUXITE/ALUMINUM EXPANSION
AND OBTAINING FINANCING FOR RIO DO NORTE PROJECT.

13. EXCEPT FOR CVRD, NEARLY ALL MINING IN BRAZIL IS CON-
DUCTED BY PRIVATE COMPANIES. RIO DO NORTE IS FIRST NON-
FERROUS VENTURE FOR CVRD, ALTHOUGH OTHERS ARE LIKELY TO
RESULT FROM COMPANY'S WIDESPREAD EXPLORATION ACTIVITIES.
GOB CONTINUES TO WELCOME FOREIGN INVESTMENTS IN MINING
SECTOR, ESPECIALLY IF THEY ARE IN CONJUNCTION WITH BRAZILIAN
INTERESTS. GIVEN POLITICAL AND ECONOMIC ENVIRONMENTS IN SOME
MAJOR MINERALS COUNTIRES, BRAZIL IS INCREASINGLY ATTRACTIVE
TO THE LARGE INTERNATIONAL MINING COMPANIES WITH WHICH WE TALK.

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14. THERE ARE NO INDICATIONS THAT GOB CONTEMPLATES ACTION
SIMILAR TO THAT OF JAMAICA ONCE BRAZIL BECOMES AN EXPORTER,
WHICH IS STILL THREE YEARS AWAY. WHILE GOB CAN BE EXPECTED
TO PARTICIPATE IN ADDITIONAL NEW BAUXITE/ALUMINUM PROJECTS,
IT UNLIKELY TO INTERVENE OR PARTICIPATE IN EXISTING ALCAN AND
ALCOA OPERATIONS. RE TWO MINING PORJECTS OF GREAT NATIONAL
IMPORTANCE, GOB (THORUGH CVRD) DID JOIN RIO DO NORTE AS MAJOR
PARTICIPANT AFTER ALCAN HAD SPENT SEVERAL YEARS ON EXPLORATION
AND DESIGN WORK AND IT DID INVITE ITSELF IN AS 51 PERCENT
PARTNER ON GIANT CARAJAS IRON ORE PROJECT STARTED BY US STEEL.
NATIONAL SENSITIVITIES TO EXPLORATION OF NATURAL RESOURCES
ARE STRONG IN BRAZIL AND MAJORITY BRAZILIAN PARTICIPATION,
WITH GOB RETAINING EFFECTIVE IF NOT PERCENTAGE CONTROL, IS

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LIKELY TO BE THE NORM IN THE FORESEEABLE FUTURE FOR MAJOR NEW
INVESTMENTS OR EXPANSIONS. ATTITUDE TOWARD BAUXITE/ALUMINA
INVESTORS TOWARD END OF DECADE, AFTER CURRENT PROJECTS BECOME
OPERATIONAL, WILL DEPEND ON MARKET CIRCUMSTANCES PREVAILING
AT THE TIME AND RELATIONS WITH IMPORTING COUNTIRES, REQUIREMENTS
OF DOMESTIC ECONOMY FOR EXTERNAL RESOURCES, AND PERCEPTION
OF WHETHER OR NOT ACTIVITIES OF FOREIGN INVESTORS ACCORD
WITH NATIONAL INTEREST.
CRIMMINS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ALUMINUM, BAUXITE, EXPORTS, ECONOMIC REPORTS, PRICE TRENDS, PRODUCTION DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 24 JUL 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: kelleyw0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BRASIL05493
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740200-0654
From: BRASILIA
Handling Restrictions: n/a
Image Path:
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Line Count: 286
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: STATE 145450
Review Action: RELEASED, APPROVED
Review Authority: kelleyw0
Review Comment: n/a
Review Content Flags:
Review Date: 31 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <31 JUL 2002 by elyme>; APPROVED <26 FEB 2003 by kelleyw0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BAUXITE/ALUMINUM TRENDS
TAGS: EMIN, EFIN, EIND, US, BR
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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